

## 2004-05 Resource and Expenditure Summary

This section provides a broad overview of the resources and expenditures included in the 2004-05 budget. Information is presented for general, special revenue and enterprise funds. General funds, which receive special attention by the community, are highlighted throughout this section. General funds are of particular importance to our residents as they provide for most basic services, such as police, fire, parks and streets. Enterprise funds are supported by fees charged for the services provided with the exception of the Civic Plaza which has earmarked sales taxes as its primary funding source. Special revenue funds are restricted to specific uses.

The 2004-05 budget, financed by operating funds, totals \$2,631,230,000. As shown in the pie chart on page 23, the General Fund portion of \$930,120,000 is approximately 35 percent of the total. The Enterprise funds, which include Aviation, Water, Wastewater, Solid Waste, Civic Plaza and Golf, make up 34 percent

of the total. Special Revenue funds such as Arizona Highway User Revenues, Local Transportation Assistance, and grant funds such as Community Development Block Grants, Human Services grants and Housing grants represent the remaining 31 percent of the total budget.

In addition to presenting the budget by funding source, the budget also is described in terms of the major types of activities or expenditures funded. Included in the operating budget are operating and maintenance expenses that provide for ongoing costs of delivering city services; capital expenditures for pay-as-you-go projects for major additions, improvements or renovations to city facilities; and debt service payments to retire outstanding bonds. The pie chart on page 23 shows the distribution of the total operating budget into these three types of expenditures. Not included in the operating budget are bonds and other capital funds used for capital

improvement projects. These are included in a separate capital improvement program.

The 2004-05 General Fund budget includes only ongoing operating and maintenance and capital expenses. Debt service associated with most general-funded activities is paid for with property taxes or are shown in the City Improvement fund both of which are included in the special revenue funds portion of the budget.

Finally, budgeted expenditures are most easily understood on a departmental basis. Detailed explanations of each department's budget are provided in the Department Program Summary section of this document. The bar chart on page 23 presents the General Fund budget on a department-by-department basis.

The table below provides a comparison of the 2004-05 budget to the 2003-04 adopted budget. Actual expenditures for the 2002-03 fiscal year also are included.

### 2004-05 Budget Compared to 2003-04 Adopted Budget (In Millions of Dollars)

	2002-03 Actual Expenditures	2003-04 Adopted Budget	2004-05		
			Budget	Amount Change	Percent Change
Operating and Maintenance Expenditures	\$1,643.4	\$1,884.3	\$2,055.5	\$171.2	9.1%
Capital Expenditures	284.1	362.9	363.2	0.3	0.1%
Lease Purchase and Debt Service	190.0	200.7	212.5	11.8	5.9%
<b>Total</b>	<b>\$2,117.5</b>	<b>\$2,447.9</b>	<b>\$2,631.2</b>	<b>\$183.3</b>	<b>7.5%</b>



Citywide operating and maintenance expenditures increased from 2003-04 primarily for inflationary increases such as employee compensation including higher pension and health care costs, added operating costs related to the opening of new capital facilities, and other service and growth related increases in enterprise, Development Services and Transit 2000 funds.

**2004-05 GENERAL FUND  
BUDGET OVERVIEW**

The 2004-05 General Fund budget of \$930.1 million provides for ongoing operating and maintenance and capital expenditures. The table below compares the 2004-05 General Fund budget with the adopted 2003-04 budget.

The operating and maintenance expenditures show moderate growth when compared to the 2003-04 adopted budget. This growth results from returning to pay-as-you-go funding for replacement vehicles and equipment, planned transition of grant-funded police officers to the General Fund, reflecting full year costs for facilities opened in 2003-04 plus new operating costs associated with capital facilities that will open in 2004-05,

increasing the contingency fund, and providing funding for rising employee health care and public safety pension costs and other negotiated compensation increases. These cost increases are partially offset by \$7 million in reductions.

The pie charts on page 23 show the 2004-05 General Fund budget summarized by major programs and major resources.

**RESOURCES**

Resources include beginning fund balances, fund transfers, revenues and recoveries. Generally, current revenues and fund transfers pay for current year expenses. In the enterprise funds, fund balances provide a financial cushion against unanticipated changes. The contingency allocation serves this same purpose for the General Fund. While minor changes in fund balances occur from year to year, maintaining proper fund balances over the long term and providing for a contingency fund in the General Fund are important components of sound financial management and a significant factor in bond ratings.

**2004-05 Estimated  
Beginning Fund Balances**

In the General Fund, a fund balance may not be budgeted. However, a contingency, similar to a “rainy day fund”, may be planned to provide a means to address unexpected revenue decreases or expenditure increases that may occur throughout the year. Each year, most of the contingency allocation remains unused and, therefore, falls to the ending fund balance along with any changes in estimated revenues and expenditures.

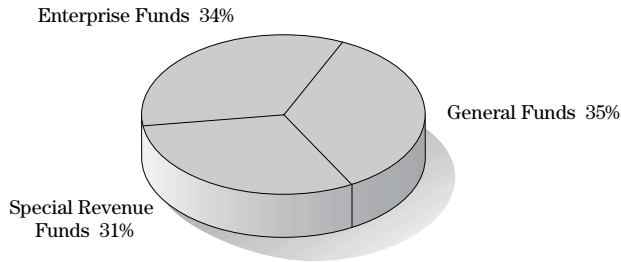
The estimated 2004-05 beginning fund balances of \$607.9 million include \$59.8 million in General Funds and \$548.1 million in other restricted funds. The estimated beginning fund balance for restricted funds includes: Transit 2000 - \$136.5 million; Water - \$106.4 million; Aviation - \$58.0 million; Wastewater - \$49.5 million; Civic Plaza \$37.4 million; Parks and Preserves - \$33.2 million; Solid Waste - \$26.0 million; Grant Funds - \$25.8 million; Arizona Highway User Revenue - \$20.5 million; Development Services - \$18.5 million; and \$36.3 million in various other restricted funds.

**2004-05 General Fund Budget Compared to 2003-04 Adopted Budget  
(In Millions of Dollars)**

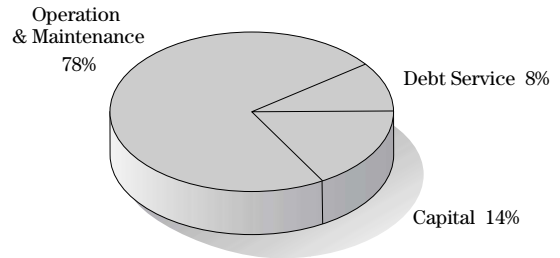
	2002-03 Actual Expenditures	2003-04 Adopted Budget	2004-05		
			Budget	Amount Change	Percent Change
Operating and Maintenance Expenditures	\$781.4	\$872.1	\$925.6	\$53.5	6.1%
Capital	0.2	3.5	4.5	1.0	28.6%
<b>Total</b>	<b>\$781.6</b>	<b>\$875.6</b>	<b>\$930.1</b>	<b>\$54.5</b>	<b>6.2%</b>



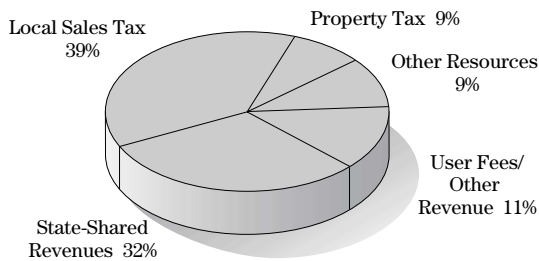
**ALL SOURCES OF FUNDS**  
Total Resources – \$2.6 Billion



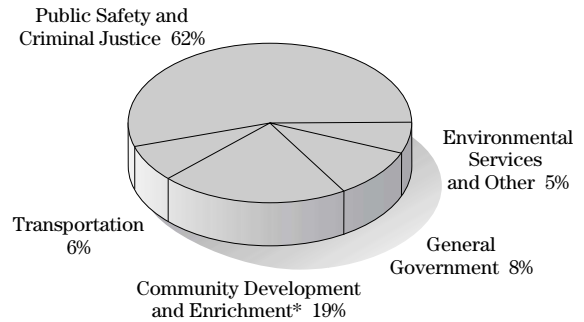
**ALL SOURCES OF FUNDS**  
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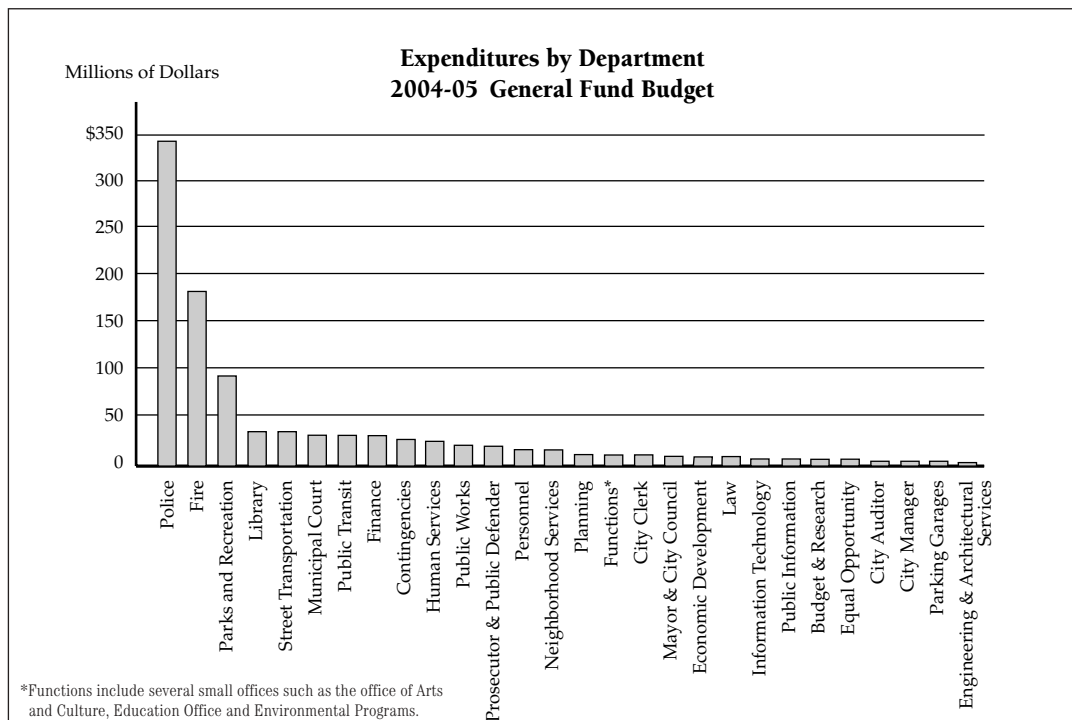
**GENERAL FUNDS**  
Total Resources – \$930 Million



**GENERAL FUNDS**  
Total Expenditures – \$930 Million



\*Includes Parks, Library, Human Services, Neighborhood Services, Planning and Economic Development





### **2003-04 General Fund Estimated Ending Balance**

As shown in the first table on page 25, the estimated 2003-04 ending General Fund balance is \$59.8 million. This balance results primarily from an estimated \$5.5 million increase in current year revenues, a \$5 million higher than planned beginning balance and a \$51.7 million decrease in operating expenditures. The decrease in estimated 2003-04 General Fund expenditures is largely due to unused contingency funds, the carryover of some General Fund expenses not completed in the current year, and cost savings from higher than anticipated position vacancies. The majority of the revenue increase is in state-shared revenues and various user fees. These increases were offset by a \$2.3 million decrease in net transfers. The reduction in net transfers is partially attributable to year-end timing differences that increased the 2003-04 beginning balance.

### **2004-05 Estimated Revenues**

Revenues from taxes, fees, interest, grants and other sources provide resources to fund programs and services delivered by the city. Revenues for 2004-05 are estimated at \$2,343,156,000. This is \$139,091,000, or 6.3 percent above the 2003-04 estimate of \$2,204,065,000. General fund revenues are estimated at \$850,735,000, which is \$53,379,000 or 6.7 percent more than the 2003-04 estimates. The second table on page 25 provides a comparison of the 2004-05 estimated revenues to 2003-04 estimates and 2002-03 actual collections. Detailed explanations by category are provided in the 2004-05 Revenue Estimates section of this document.

The state and local economy began to recover in late 2002-03 and that recovery has continued in 2003-04. It is assumed that this recovery rate of growth will

continue through early 2004-05, and then shift to a more normal growth pattern for the balance of the year. Included in 2004-05 estimates for the enterprise funds are full-year impacts of rate increases for Solid Waste, Water and Wastewater services.

### **2004-05 Transfers to the General Fund**

Transfers are used to allocate resources between funds for purposes of matching costs with benefits received through a central service cost allocation or to assess in-lieu property taxes.

Transfers to the General Fund for 2004-05 total \$39.9 million. This amount reflects \$39.8 million from enterprise and other funds to recoup central service costs and/or payments for in-lieu property taxes from the Aviation, Water and Wastewater, Solid Waste, Civic Plaza and Development Services funds. Central service provides a repayment to the General Fund for services provided by departments such as Personnel, Finance, Law and other administrative support areas that are general funded. This transfer is calculated by the Finance Department in accordance with generally accepted full-cost accounting principles and is in accordance with long-established City Council-approved policy. The enterprise transfers also include \$334,000 from the Golf Course fund to recoup Parks, Recreation and Golf Department direct administrative support costs. The Golf Course fund does not pay citywide central service costs or in-lieu property taxes.

Approximately \$0.1 million in miscellaneous transfers from other funds is also included. As a result, total transfers to the General Fund exclusive of excise tax-related items are \$39.9 million. A transfer of \$606.8 million from excise tax represents the General Fund share of local and state-shared sales taxes and fees and state-shared income taxes. This amount is reflected in revenues, rather than a transfer, throughout this section.

### **2004-05 ESTIMATED ENDING BALANCES**

Arizona budget law requires a balanced General Fund budget. No General Fund balances may be accumulated in reserve for subsequent fiscal years. Arizona law does, however, provide for a contingency or "rainy day fund" each year. For 2004-05, \$23.8 million is included for the General Fund contingency and is discussed in more detail in the Contingency section of this document. As a result, budgeted General Fund resources equal expenditures. However, any unused contingency amounts at year-end fall to a General Fund ending balance. Generally, about 95% of the General Fund contingency remains unused each year.

Changes in special revenue and enterprise fund balances are primarily due to the carryover of large capital projects from one year to the next. Beginning and ending fund balances are shown in Schedule 1 on page 173.

Year-end balances are planned in the enterprise funds and other self-supporting funds primarily to provide for adequate funds at the beginning of the following fiscal year. Such funds are used to stabilize rate increases associated with fluctuations in service demand changes, insure bondholders of future debt service payment and to accumulate funds for annual pay-as-you-go capital improvements.

The estimated 2004-05 ending balance of \$322.6 million includes: Transit 2000 - \$98.4 million; Water - \$58.8 million; Civic Plaza - \$39.2 million; Wastewater - \$21.2 million; Parks and Preserves - \$19.1 million; Solid Waste - \$18.7 million; Aviation - \$16.6 million; Development Services - \$15.8 million; Sports Facilities - \$11.5 million and \$23.3 million in various other restricted funds.



**General Fund Balance Analysis**  
(In Thousands of Dollars)

	2002-03	2003-04		Estimate Over (Under) Budget	
	Actuals	Budget	Estimate	Amount	Percent
<b>Resources</b>					
Beginning Balances July 1	\$ 52,504	\$ 58,021	\$ 63,006	\$ 4,985	8.6 %
Revenue	768,233	791,886	797,356	5,470	0.7 %
Recoveries	889	2,250	1,500	(750)	(33.3)%
Transfers	22,955	23,448	21,135	(2,313)	(9.9)%
Total Resources	\$ 844,581	\$ 875,605	\$ 882,997	\$ 7,392	0.8 %
<b>Expenditures</b>					
Operating Expenditures	781,418	872,112	820,401	(51,711)	(5.9)%
Capital	157	3,493	2,799	(694)	(19.9)%
Total Expenditures	\$ 781,575	\$ 875,605	\$ 823,200	\$ (52,405)	(6.0)%
<b>Ending Fund Balance</b>	\$ 63,006	\$ 0	\$ 59,797	\$ 59,797	100.0+%

**2004-05 Estimated Revenues Compared to 2003-04 Estimates**  
(In Thousands of Dollars)

Fund Types	2002-03 Actuals	2003-04 Estimate	2004-05		
			Estimate	Amount Change	Percent Change
General	\$ 768,233	\$ 797,356	\$ 850,735	\$ 53,379	6.7%
Special Revenue Funds	611,940	648,255	693,871	45,616	7.0%
Enterprise Funds	746,467	758,454	798,550	40,096	5.3%
<b>Total</b>	\$2,126,640	\$2,204,065	\$2,343,156	\$ 139,091	6.3%